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EIC-D-250

SIXTH ANNUAL PROGRESS REPORT TO THE IAC

OF THE

ECONOMIC INTELLIGENCE COMMITTEE

OCTOBER 1957

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SIXTH ANNUAL PROGRESS REPORT TO THE IAC

OF THE

ECONOMIC INTELLIGENCE COMMITTEE

JULY 1956 - JUNE 1957

I. Principal Developments in Economic Intelligence Coordination

During Fiscal Year 1957 economic intelligence activities within the US Government continued to be focused largely on the Sino-Soviet Bloc, and to an increasing extent on Bloc economic activities in Free World countries. The Economic Intelligence Committee supported these activities by publishing coordinated reports, and by reviewing the current status of economic intelligence research as a guide for programming by the individual agencies.

Coordinated reports issued during the year included studies of Communist China's trade and transport; Sino-Soviet Bloc economic activities in underdeveloped areas; copper exports to the Sino-Soviet Bloc, and other subjects. General surveys of economic intelligence research within the US Government and in selected [redacted] were issued^{25X1} as well as a special survey relating to the [redacted]. A revised^{25X6} statement of "Priority National Economic Intelligence Objectives" for guidance in economic intelligence collection and production was prepared. EIC Subcommittees continued to provide technical advice and suggestions to the IAC Ad Hoc Committee on Exchanges. At the end of the year, major reports in progress included studies of Bloc economic activities in underdeveloped areas, Communist China's 1956 trade and transport, Soviet agricultural prospects, capabilities of the Trans-Siberian Railroad, and Sino-Soviet Bloc peacetime military petroleum consumption. New surveys relating to the status of economic intelligence research within the government were underway or in a planning stage.

II. EIC Accomplishments in Fiscal Year 1957

A. Major Studies and Related Support Activities

During FY 1957 the EIC produced coordinated studies on a number of different problems as follows:

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1. Three reports on Sino-Soviet Bloc economic activities in underdeveloped areas were published: EIC-R-14, Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, which was a background report on such activities in the postwar period through April 1956; and two periodic supplements thereto, EIC-R14-S1 and -S2, Sino-Soviet Bloc Economic Activities in Underdeveloped Areas covering the periods 1 May - 31 August 1956 and 1 September - 31 December 1956. These reports provided periodic summaries and analytical interpretations of significant developments in the economic relations of Sino-Soviet Bloc countries with the underdeveloped countries of the Free World. In addition, the EIC Working Group on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas published 26 Biweekly Reports covering these developments on a current, factual basis. The Working Group also published a chronological index of all items reported in the Biweekly Reports during the period 23 February 1956 through 24 December 1956. EIC-R14-S3, covering the period 1 January through 30 June 1957, was in preparation at the end of the year, and was published during August 1957. Some 500 copies of each of the biweekly reports and 600 of the R14 report series are currently distributed to US Government offices in Washington and overseas, and to selected [redacted]. The response to these reports from policy-making officials in Washington and operating officials in the field has been highly favorable. 25X1

25X1

2. EIC-R1-S5, the sixth EIC report on Communist China's trade and transport, covering 1955, was published as a US unilateral report, after a joint [redacted] conference on the subject in [redacted] in June 1956. A report covering Communist China's 1956 trade and transport was nearing completion at the end of the year.

3. Other studies undertaken or reviewed by the EIC included: a report on copper exports to the Sino-Soviet Bloc in 1955; review of a contribution to SNIE 11-10-56, Soviet Actions in the Middle East; review of a contribution to NIE 11-57, Sino-Soviet Bloc Air Defense Capabilities through Mid-1962, covering the economic aspects and implications of the air defense program; and a contribution on economic intelligence for use by the IAC in its Annual Report to the National Security Council on the Status of the Foreign Intelligence Program. An EIC subcommittee coordinated and published a working paper on Estimate of the Industrial Capability of the USSR to Produce Submarines under Industrial Mobilization Program.

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B. Review of Research and Support of Research Programming

1. During the year the EIC published two major surveys as follows: Survey Listing of Internal and External Economic Research Projects on Selected Non-Bloc Areas, 1 January 1955 - 30 June 1956; and Survey Listing of Internal and External Economic Research Projects on the Sino-Soviet Bloc, 1 January 1956 - 30 November 1956. These surveys covered projects, in progress or completed, throughout the US Government and in selected [redacted] 25X1 [redacted] during the periods indicated. The 25X1 non-Bloc survey covered Free World areas where significant Bloc economic penetration activities have been noted or may be expected. In September 1956 the EIC published a special survey listing available economic intelligence research and reports related to [redacted] issues 25X6

2. A survey of priority deficiencies in research on Sino-Soviet Bloc shipbuilding was approved and published, with suggested allocation of responsibilities for undertaking required research; 10 other surveys of priority deficiencies in research or collection were in preparation at the end of the year. A review of approved surveys of priority deficiencies in research has been undertaken by the subcommittees involved, taking into account progress made in filling identified research deficiencies and need for changes in the priorities previously assigned.

3. In accordance with the standing provisions of DCID 15/1, 8 proposed external economic research projects which individually involve more than \$5,000, were reviewed by the EIC during FY 1957. EIC comments and suggestions were forwarded to the sponsoring agencies for their guidance.

4. An EIC subcommittee coordinated and published as a research aid a List of Key Personnel Concerned with Research and Production in the Electro-technical Industry of the USSR.

C. Improvement of Collection Requirements and Other Support for Collection Activities

1. The Subcommittee on Requirements and Facilities for Collation continued as the focus for a number of community-wide efforts to improve collection requirements for economic information, and guidance for collection activities. The [redacted] and the Economic Reporting Guidance Program, designed to remedy past problems, are now operating efficiently under administrative arrangements instituted or concurred in by the Requirements Subcommittee. 25X6

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2. This Subcommittee discussed: pertinent NIE post mortems (recommending appropriate remedial action by the responsible agencies); foreign service economic reporting; proposed changes in Comprehensive Economic Reporting Program procedures; and the intelligence potential of exchanges of delegations between the West and Bloc countries.

D. Other Activities

1. Technical Advice on Exchange Proposals

The IAC Ad Hoc Committee on Exchanges continued to call on members of EIC subcommittees for technical advice and suggestions in connection with proposed visits of Bloc experts to the US, and of US experts to the Soviet Bloc. Eight EIC subcommittees have been consulted with respect to one or more specific exchanges, and detailed responses provided.

2. Support of National Intelligence Estimates

In addition to the preparation of coordinated contributions to NIE's as indicated above, NIE post mortems and validity studies were drawn on for guidance to the community. The economic portions of the Post Mortems on NIE 11-5-55, Air Defense of the Sino-Soviet Bloc, 1955-60 and NIE 13-56, Chinese Communist Capabilities and Probable Courses of Action through 1960 were considered by the appropriate EIC subcommittees. Five additional post mortems and four validity studies were forwarded to the appropriate EIC subcommittees and working groups for their information and guidance.

3. Priority National Economic Intelligence Objectives

In August 1956, the EIC issued the first statement of "Priority National Economic Intelligence Objectives" as a guide for economic intelligence collection and production, identifying and expanding the economic aspects of DCID 4/5, "Priority National Intelligence Objectives". With the approval of DCID 4/6, the statement of "Priority National Economic Intelligence Objectives" was revised. This revision had been submitted for IAC consideration by the end of the year, and was approved in August 1957.

4. Miscellaneous Subcommittee and Working Group Activities

a. Where feasible, the EIC subcommittees continued the development and maintenance of agreed basic statistics in their respective fields of responsibility. A number of subcommittees discussed important substantive

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papers, and explored methods used in their research. The Petroleum Subcommittee, with the approval of the EIC, undertook an up-dating of its study of peacetime Sino-Soviet Bloc military consumption of petroleum products. The Subcommittee on Electronics and Telecommunications published one research aid, and had several in preparation. The Subcommittees on Shipbuilding and on Transportation have made major progress toward the development of agreed research methods. The full-time interagency Transportation Capabilities Estimates Group, established in April 1956, sponsored by the Department of the Army and reporting to the Transportation Subcommittee as well as the sponsoring agency, completed an estimate of the capabilities of the Trans-Siberian Railroad. This estimate is being considered by the participating agencies in an effort to reach community agreement on the subject.

b. During the year the EIC undertook a systematic review of the activities of its subcommittees, with a view to developing constructive proposals for strengthening subcommittees which were encountering special problems or were less effective than had been anticipated when they were established. This review will continue during FY 1958. Special problems of individual subcommittee operations were noted, and agreement reached as to the scope of activity for the subcommittees considered. It was recognized that the individual subcommittees play somewhat differing roles in the coordination of economic intelligence because of the special situations and problems confronting them.

III. Future Outlook

As the EIC enters its seventh year of community-wide coordination of economic intelligence, no particular problems appear to call for special emphasis. It may be expected that future activities will continue generally along present lines. Coordination of economic intelligence on the Sino-Soviet Bloc and on Bloc economic activities in Free World countries -- particularly the underdeveloped countries -- will continue. As international developments warrant, there will be important shifts in emphasis with respect to economic intelligence relating to US national security interests in Free World areas. At the end of the year EIC member agencies were considering utilization of the EIC mechanism for coordination of an increasing number of non-Bloc economic intelligence problems where coordinated activity would be desirable.

25X1

OTTO E. GUTHE
Chairman

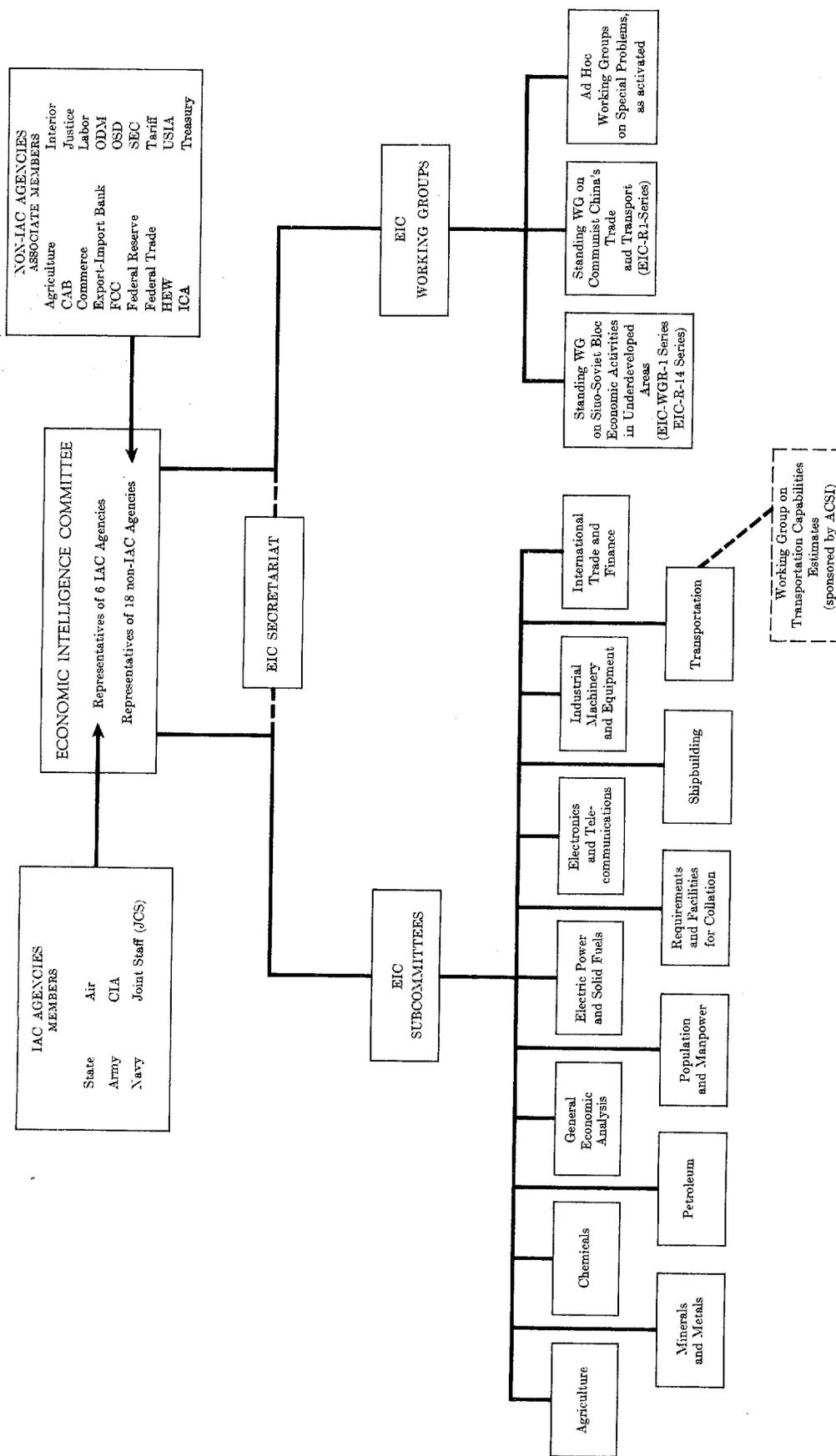
Economic Intelligence Committee

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**ORGANIZATIONAL CHART OF THE
ECONOMIC INTELLIGENCE COMMITTEE
JULY, 1957**

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ECONOMIC INTELLIGENCE COMMITTEE
 PRODUCTION AND SPECIAL ACTIVITIES
 Fiscal Year 1956/57

STUDIES AND REPORTS		REVIEW OF PROGRAMS AND FACILITIES		SPECIAL ACTIVITIES			
EIC REPORTS	R1-S5	Communist China's Imports and Exports, 1955: Trade and Transport Involved	LISTINGS OF COMPLETED AND PLANNED ECONOMIC RESEARCH	S-25	Internal and External Governmental Research on Selected Non-Bloc Areas, 1 January 1955 through 30 June 1956	REQUIREMENTS SUBCOMMITTEE SUBSTANTIVE SUBCOMMITTEES WORKING GROUPS	
	R-14	Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas (Through April 1956)		S-27	Internal and External Governmental Research on the Sino-Soviet Bloc, 1 January through 30 November 1956		Support and Guidance to Economic Reporting Guidance Program
	R14-S1	Sino-Soviet Bloc Economic Activities in Underdeveloped Areas, 1 May through 31 August 1956	SPECIAL SURVEYS	S-24	Priority National Economic Intelligence Objectives (IAC-D-50/101)		Development of Procedures for Correcting Priority Collection Deficiencies
	R14-S2	Sino-Soviet Bloc Economic Activities in Underdeveloped Areas, 1 September through 31 December 1956		S-24/1	Priority National Economic Intelligence Objectives (IAC-D-50/102) 25X6 (In Progress)		Exchange of Collection and Interrogation Manuals
WORKING GROUP REPORTS	P-16	Copper Exports to the Sino-Soviet Bloc in 1955	SUBCOMMITTEE RESEARCH AID	ETSC-RA-2	List of Key Personnel Concerned with Research and Production in the Electrotechnical Industry of the USSR		Review of the State of Finished Intelligence
	WGR 1/11 thru 1/36	EIC Working Group Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas		IDENTIFICATION OF PRIORITY RESEARCH DEFICIENCIES	S-1/13		Sino-Soviet Bloc Shipbuilding
EIC CONTRIBUTIONS TO INTELLIGENCE STUDIES	P-17	Contribution to NIE 11-57, "Sino-Soviet Bloc Air Defense Capabilities through Mid-1962" (Review)					
	P-18	Contribution to SNE 11-10-56, "Soviet Actions in the Middle East" (Review)					Development of Agreed Basic Statistics
SUBCOMMITTEE WORKING PAPER	SSC-WP-1	Estimate of the Industrial Capability of the USSR to Produce Submarines Under Industrial Mobilization Program					Review of Proposed External Research Projects
							Technical Advice to IAC Ad Hoc Committee on Exchanges
							Preparation of Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas
							Preparation of Reports on Communist China's Trade and Transport
						Preparation of Studies by Transportation Capabilities Estimates Group (ACSI sponsored)	

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TAB C

EIC PRODUCTION AND SPECIAL ACTIVITIES1 July 1956 to 30 June 1957I. Reports and Special StudiesA. Completed

<u>EIC Designation</u>	<u>Title</u>	<u>Requestor</u>
EIC-R1-S5	Communist China's Imports and Exports, 1955: Trade and Transport Involved	IAC
EIC-R-14	Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas (through April 1956)	Special Assistant to the President for Foreign Economic Policy
EIC-R14-S1	Sino-Soviet Bloc Economic Activities in Underdeveloped Areas, 1 May - 31 August 1956	Special Assistant to the President for Foreign Economic Policy
EIC-R14-S2	Sino-Soviet Bloc Economic Activities in Underdeveloped Areas, 1 September - 31 December 1956	Special Assistant to the President for Foreign Economic Policy
EIC-P-16	Copper Exports to the Sino-Soviet Bloc in 1955	State Department
EIC-WGR-1/11 through 1/36	EIC Working Group Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas	Special Assistant to the President for Foreign Economic Policy
	Index of Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas, 1956	
EIC-SSC-WP-1	Estimate of the Industrial Capability of the USSR to Produce Submarines under Industrial Mobilization Program	EIC Subcommittee on Shipbuilding

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I. Reports and Special Studies (Continued)

B. In Progress

<u>EIC Designation</u>	<u>Title</u>	<u>Requestor</u>
EIC-R1-S6	Communist China's Imports and Exports, 1956: Trade and Transport Involved	IAC
EIC-R-14 Series	Sino-Soviet Bloc Economic Activities in Underdeveloped Areas	Special Assistant to the President for Foreign Economic Policy
EIC-WGR-1/ Series	EIC Working Group Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas	Special Assistant to the President for Foreign Economic Policy
EIC-R9-S1	Capability of the Trans-Siberian Railroad and Connecting Lines in Manchuria and Korea (Revision of EIC-R-9)	EIC
EIC-P-8	Soviet Bloc's 1955-56 Military Transportation Capability to Launch and Support Campaigns into the Area between the Baltic Sea and the Alps	WSEG through IAC
EIC-P-12	Policies, Performances and Prospects of Soviet Agriculture	State Department
EIC-P-19	Military Consumption of Petroleum Products, Sino-Soviet Bloc, 1956 and Forecast for 1957 (Up-dating of EIC-PSC-WP-1)	EIC Subcommittee on Petroleum

C. Cancelled

EIC-P-6	Economic Capabilities of the Soviet Bloc to Support a General War under Certain Assumptions	Joint Staff through the IAC
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II. Contributions to Intelligence Studies

A. Completed

<u>EIC Designation</u>	<u>Title</u>	<u>Requestor</u>
EIC-P-17	Review of Contribution to NIE 11-57: Sino-Soviet Bloc Air Defense Capabilities through Mid-1962 (Drafted by CIA/ORR)	ONE
EIC-P-18	Review of Contribution to SNIE 11-10-56: Soviet Actions in the Middle East	ONE

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III. SurveysA. Completed

<u>EIC Designation</u>	<u>Title</u>	<u>Requestor</u>
EIC-S-24	Priority National Economic Intelligence Objectives (IAC-D-50/10.1)	IAC
EIC-S-25	Survey Listing of Internal and External Economic Research Projects on Selected Non-Bloc Areas, 1 January 1955 through 30 June 1956 25X6	EIC
EIC-S-26		EIC
EIC-S-27	Survey Listing of Internal and External Economic Research Projects on the Sino-Soviet Bloc, 1 January through 30 November 1956	EIC
EIC-S-1/13	Priority Deficiencies of Research on Sino-Soviet Bloc Shipbuilding	EIC
EIC-ETSC-RA-2 (Research Aid)	List of Key Personnel Concerned with Research and Production in the Electro-technical Industry of the USSR	EIC Subcommittee on Electronics and Telecommunications

B. In Progress

EIC-S-24/1	Priority National Economic Intelligence Objectives (IAC-D-50/10.2, approved by the IAC 20 August 1957) (Revision of EIC-S-24)	IAC
EIC-S-28	Survey Listing of Internal and External Economic Research Projects on Selected Non-Bloc Areas, 1 July 1956 through 30 June 1957	EIC

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III. Surveys (Continued)B. In Progress (Continued)

<u>EIC Designation</u>	<u>Title</u>	<u>Requestor</u>
EIC-S-1 Series	Surveys of Priority Economic Research Deficiencies on the Sino-Soviet Bloc:	EIC
	1/3 Trade and Finance	
	1/8 Electronics and Telecommunications	
	a-II Equipment Production - Communist China	
	b-II Facilities (Installations) - Communist China	
	1/9 Transportation Systems	
	e. Air Transportation	
	1/11 Electric Power and Solid Fuel	
	a. Electric Power	
	1/12 Industrial Machinery and Equipment	
EIC-S-16 Series	Surveys of Priority Collection Deficiencies on the Sino-Soviet Bloc:	EIC
	16/6 Electronics and Telecommunications	
	a-II Equipment Production - Communist China	
	b-II Facilities (Installations) - Communist China	
	16/12 Transportation Systems	
	e. Air Transportation	
	16/13 Shipbuilding	
EIC-ETSC-RA-3 (Research Aid)	Soviet Bloc Electron Tubes	EIC Subcommittee on Electronics and Telecommunications
EIC-ETSC-RA-4 (Research Aid)	List of Projects Published or Scheduled Relating to Electronics and Telecommunications	EIC Subcommittee on Electronics and Telecommunications

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IV. Continuing EIC Special Activities

A. Of the Subcommittee on Requirements and Facilities for Collation

1. Coordination of the 25X1
2. Support and Guidance to Economic Reporting Guidance Program
3. Consideration of Priority Deficiencies in Collection
4. Exchange of Collection and Interrogation Manuals

B. Of Other Subcommittees and Working Groups

Report to the IAC of Progress on Action Taken Pursuant to Post-Mortem on NIE 11-5-55, "Air Defense of the Sino-Soviet Bloc, 1955-60" (electronics production aspects) (Completed July 1956)

Preparation of Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas

Preparation of Reports on Communist China's Trade and Transport

Preparation of Studies by Transportation Capabilities Estimates Group (under OACSI sponsorship)

Preparation of Statement of Priority National Economic Intelligence Objectives (Revision of IAC-D-50/10.1 in light of changes in DCID 4/6)

Technical Advice to the IAC Ad Hoc Committee on Exchanges

Review of Proposed External Research Projects (See Annex 1 to Tab C)

Development of Agreed Basic Statistics

Review of Substantive Papers and Methodologies

Review of the State of Finished Intelligence

Consideration of Pertinent Post-Mortems and Validity Studies

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TAB C
ANNEX 1External Economic Research ProjectsReviewed by the EIC During Fiscal Year 1957

The following government-sponsored external economic research projects were reviewed during Fiscal Year 1957 by the EIC and comments forwarded to the sponsoring agency.

25X1	Title	Sponsoring Agency	Contractor	Amount of Contract
	Consolidation of Economic-Military End-Products Models and Integration of Techniques to Analyze Enemy Strengths	Air Force	Council for Economic and Industry Research, Inc., Washington, D. C.	\$509,000
	Development of Space, Time and Movement Factors for Economic-Military Model 25X1	Air Force	Council for Economic and Industry Research, Inc., Washington, D. C.	\$153,000
	Survey of Requirements for Industrial Process Analyses for Economic-Military Model of the Soviet Bloc	Air Force	Council for Economic and Industry Research, Inc., Washington, D. C.	\$ 20,000
25X1				

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